

## PBS Performance Measure Definition

<b>Measure Name:</b>	Lease Cost Avoidance		
<b>Measure Owner:</b>	Office of Leasing	<b>Point of Contact:</b>	Garhett Gordon
<b>Measure Description:</b>	This measure calculates the realized cost avoidance from lease transactions. Specifically, it identifies realized cost avoidance through negotiating leases below market costs, reductions in RSF and moves to Federal Space.		
<b>Strategic Alignment:</b>	Lease Cost Avoidance		
<b>Reporting Frequency:</b>	Monthly; following 9/1/2020 - 8/31/2021 as a complete FY		
<b>Scope (Range) of Data</b>	<p>Measure universe consists of leases planned to be made active in REXUS in FY21 which meet the criteria below. Leases moving into owned space will be included and counted as savings. All leases effective in FY21 will be compared to the prior lease, where applicable, to identify any savings from RSF reductions. To calculate negotiated savings, leases must be in a major market or an authorized prospectus. All leases effective in FY21 for primarily office space in a major market will be compared to market rates to identify cost savings. Leases in markets not subject to LCRM will be evaluated for RSF changes, unless part of an excluded category listed below. To enable adequate review time, this measure will utilize an offset fiscal year. Actions with an approved "Digest Approval Date" in REXUS from September 2020 through August 2021 will be included.</p> <p>Exclusions from the measure:</p> <ul style="list-style-type: none"> <li>• Extensions</li> <li>• Land Ports of Entry</li> <li>• VA Community Based Outpatient Clinics (6 pilot projects; prospectus level office project is included)</li> <li>• On-Airport Leases</li> <li>• Decennial Census Leases</li> <li>• Disaster Leases</li> <li>• Parking only leases</li> <li>• Antenna leases</li> <li>• Tenancy Agreements with USPS</li> <li>• Low Value Top Secret or Classified facilities (Low value defined as less than \$700,000 in annual levelized rent)</li> <li>• Swing Space Occupancies</li> </ul>		
<b>Data Sources:</b>	<ul style="list-style-type: none"> <li>• Real Estate Across the United States (REXUS) - PBS Real Property Inventory System</li> <li>• Occupancy Agreement Tool (OA Tool) - web-based application for creating occupancy agreements for client agencies</li> <li>• Bullseye - a market analysis report for a specific requirement developed from the data of three commercial real estate companies, CoSTAR, REIS, and CBRE Econometric Advisors.</li> <li>• Lease Cost Relative to Market Assessments- cash flow analysis comparing the rental components of a government lease contract to a market equivalent deal.</li> <li>• Prospectus Congressional Resolutions</li> </ul>		
<b>Measure Calculation:</b>	<p>Cost Avoidance calculations will vary depending on the type of lease:</p> <ol style="list-style-type: none"> <li>1) Prospectus level leases:  <math display="block">(((\text{Greater of Prior Lease RSF or Authorized RSF} \times \text{Authorized Rate}) - (\text{New Lease RSF} \times \text{Effective Rate})) \times \text{Full Lease Term})</math> </li> <li>2) Non-prospectus, replacing leases within a REIS market:  <math display="block">((\text{Prior Lease RSF} \times \text{Market Rate}) - (\text{New Lease RSF} \times \text{Effective Rate})) \times \text{Full Lease Term}</math> </li> <li>3) All other replacing leases:  <math display="block">(\text{Prior lease RSF} - \text{New Lease RSF}) \times \text{Prior Lease Rate} \times \text{Full Lease Term}</math> </li> <li>4) Leases moved to Federal Space  <math display="block">-\text{Prior Lease RSF} \times \text{Prior Lease Shell Rent} \times 10 \text{ years}</math> </li> <li>5) Leases moved from Federal Space</li> </ol>		

	<ul style="list-style-type: none"> <li>- Methodology applied will be as indicated in either 1, 2 or 3 above.</li> <li>- Prior OA information will be used</li> </ul> <p>6) Leases new to the inventory</p> <ul style="list-style-type: none"> <li>- ((New Lease RSF x Market Rate) - (New Lease RSF x Effective Rate)) x Full Lease Term</li> <li>- Savings from negotiations only will be calculated</li> </ul> <p>7) Building Purchase</p> <ul style="list-style-type: none"> <li>- ((Prior Lease Shell Rent x Prior Lease RSF) x 20 years) - Purchase Price</li> </ul> <p>For the above calculations:</p> <ul style="list-style-type: none"> <li>• Effective Rate is the levelized rate of the lease per the LCRM methodology (considers all concessions).</li> <li>• Market Rate is the levelized Bullseye rate per the LCRM methodology. Leases not subject to LCRM (such as non-office or leases with less than 75% office) will have changes in RSF monetized only by using the prior lease rate; there will be no comparison of rate to market.</li> <li>• Prior Lease Rate is the last billed rate of the expired lease.</li> <li>• Full lease term does not include options. Renewal options will be evaluated against the standard methodology applicable to that particular lease. The full-term savings will be calculated only if the firm term is 10 years or greater. Leases with a firm term less than 10 years will count savings associated with the firm term only; except for AAP transactions where the full term will be used.</li> <li>• Prior RSF and Current RSF will be based on the associated OAs.</li> <li>• Any action that includes a returning delegations/agency direct leases to GSA-controlled space will be calculated using the existing RSF to compare to the follow-on action. Individual regions are responsible for identifying and documenting the prior RSF for any returning delegation/agency direct lease to be included.</li> <li>• For prospectus projects, the effective and authorized rates are levelized/escalated to ensure fidelity for comparison.</li> </ul>
<b>Target Setting Methodology</b>	<p>Level 3 = 10% below Level 4  Level 4 = regional projects for lease cost avoidance  Level 5 = 5% increase from Level 4</p> <p>Regional targets will include all leases planned to be effective in FY21, as of the September 2020 data pull.</p> <p>This metric is a national measure with regional targets.</p>
<b>Data Collection Methodology:</b>	Each month, we will evaluate the leases that became effective for the above cost savings. The reporting year will be September 2020 through August 2021.
<b>Reliability Explanation:</b>	Each month, the report will be generated and disseminated to stakeholders for review. Identified issues will be investigated and resolved.
<b>Changes for FY21:</b>	Clarified FY cutoff date to state that actions with an approved "Digest Approval Date" in REXUS from September 2020 through August 2021 will be included.

## Measure Targets

National Targets	FY19		FY20		FY21
	Target	Actual	Target	Actual	Target
Level 3:	\$648,747,880	\$1,247,448,738	\$431,075,664	\$1,451,589,169	\$709,968,159
Level 4:	\$738,563,869		\$491,699,377		\$795,430,726
Level 5:	\$809,329,056		\$522,011,233		\$838,162,009

Regional Targets		FY19		FY20		FY21
		Target	Actual	Target	Actual	
1	Level 3:	(\$9,026,071)	\$14,010,461	-\$17,081,650	\$5,373,507	-\$16,358,692
	Level 4:	(\$7,560,581)		-\$15,528,773		-\$14,871,538
	Level 5:	(\$7,459,563)		-\$14,752,334		-\$14,127,961
2	Level 3:	\$20,066,668	\$28,070,203	\$17,567,901	\$85,886,962	\$87,885,117
	Level 4:	\$22,957,887		\$19,519,890		\$97,650,131
	Level 5:	\$24,773,664		\$20,495,885		\$102,532,637
3	Level 3:	\$76,870,085	\$129,077,593	\$3,895,145	\$40,626,146	\$4,614,582
	Level 4:	\$86,141,195		\$4,327,939		\$5,127,313
	Level 5:	\$94,901,339		\$4,544,336		\$5,383,679
4	Level 3:	\$9,158,273	\$79,676,955	-\$40,807,559	\$38,248,238	\$12,724,355
	Level 4:	\$10,824,312		-\$37,097,781		\$14,138,172
	Level 5:	\$11,306,510		-\$35,242,892		\$14,845,081
5	Level 3:	\$27,084,749	\$54,190,313	\$2,615,070	\$19,196,313	\$6,709,746
	Level 4:	\$30,764,206		\$2,905,634		\$7,455,273
	Level 5:	\$33,437,962		\$3,050,916		\$7,828,036
6	Level 3:	(\$11,570,110)	(\$80,509)	-\$3,417,995	-\$3,110,858	\$8,171,330
	Level 4:	(\$9,870,837)		-\$3,107,268		\$9,079,255
	Level 5:	(\$9,562,074)		-\$2,951,904		\$9,533,218
7	Level 3:	\$25,373,283	\$93,345,044	\$88,779,543	\$159,633,647	\$50,526,916
	Level 4:	\$28,860,516		\$98,643,936		\$56,141,018
	Level 5:	\$31,325,041		\$103,576,133		\$58,948,068

8	Level 3:	\$55,835,260	\$92,412,755	\$6,632,704	\$10,279,550	-\$16,198,526
	Level 4:	\$62,743,839		\$7,369,671		-\$14,725,933
	Level 5	\$68,932,420		\$7,738,155		-\$13,989,636
9	Level 3:	\$51,409,602	\$99,112,560	-\$1,688,559	\$6,347,328	\$65,777,897
	Level 4:	\$57,821,111		-\$1,535,054		\$73,086,552
	Level 5	\$63,468,644		-\$1,458,301		\$76,740,880
10	Level 3:	\$929,882	\$1,149,120	\$2,515,835	\$8,942,474	\$22,777,144
	Level 4:	\$1,134,431		\$2,795,372		\$25,307,938
	Level 5	\$1,148,003		\$2,935,140		\$26,573,335
NCR	Level 3:	\$402,616,259	\$656,484,243	\$372,065,228	\$1,147,828,973	\$483,338,291
	Level 4:	\$454,747,790		\$413,405,809		\$537,042,545
	Level 5	\$497,057,110		\$434,076,100		\$563,894,672